

**PIONEER OIL AND GAS**

**FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**June 30, 2011**



PIONEER OIL AND GAS  
INDEX TO FINANCIAL STATEMENTS  
June 30, 2011

	<u>Page</u>
Independent Accountants' Compilation Report	1
Balance Sheets	2
Statements of Operations	3
Statements of Cash Flows	4
Supplemental Disclosure of Cash Flow Information	5



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### INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors and  
Stockholders of Pioneer Oil and Gas  
South Jordan, Utah

We have compiled the accompanying balance sheet of Pioneer Oil and Gas (a corporation) as of June 30, 2011, and the related statements of operations for the three and nine month periods ended June 30, 2011 and 2010, and the related statements of cash flows for the nine month periods ended June 30, 2011 and 2010. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The balance sheet as of September 30, 2010, was audited by us, and we expressed an unqualified opinion on it in our report dated March 4, 2011, but we have not performed any auditing procedures since that date.

*Jones Simkins, P.C.*

JONES SIMKINS, P.C.  
Logan, Utah  
August 29, 2011

PIONEER OIL AND GAS  
BALANCE SHEETS

	June 30, 2011 (Compiled)	September 30, 2010 (Audited)
<u>Assets</u>		
Current assets:		
Cash	\$ 4,059,762	4,369,880
Investments, available for sale	1,346,278	1,244,921
Accounts receivable	81,528	119,874
Resale leases, at lower of cost or market	2,253,894	2,691,175
Deferred income tax asset	22,000	56,000
Total current assets	7,763,462	8,481,850
Property and equipment, net	382,056	405,373
Income taxes receivable	711,000	711,000
Deferred income tax asset	186,000	-
Other assets	2,230	2,230
Total assets	\$ 9,044,748	9,600,453
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 22,104	53,488
Accrued expenses	271,026	261,055
Payable - common stock repurchases	303,913	309,738
Dividends payable	71,529	77,929
Total current liabilities	668,572	702,210
Deferred income taxes	-	93,000
Asset retirement obligation	53,475	52,299
Total liabilities	722,047	847,509
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 7,703,895 and 7,673,265 shares issued and outstanding, respectively	7,704	7,673
Additional paid-in capital	1,610,935	1,585,543
Stock subscription receivable	(16,788)	(21,397)
Accumulated other comprehensive income	90,179	23,261
Retained earnings	6,632,651	7,163,424
	8,324,681	8,758,504
Less treasury stock, 2,000 and 6,000 shares at cost, respectively	(1,980)	(5,560)
Total stockholders' equity	8,322,701	8,752,944
Total liabilities and stockholders' equity	\$ 9,044,748	9,600,453

See independent accountants' compilation report.

PIONEER OIL AND GAS  
STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Revenue:				
Oil and gas sales	\$ 207,361	153,050	523,431	444,364
Royalty revenue	107,409	123,049	303,374	381,101
	<u>314,770</u>	<u>276,099</u>	<u>826,805</u>	<u>825,465</u>
Costs and expenses:				
Cost of operations	92,721	143,258	246,590	352,820
General and administrative expenses	184,373	130,796	565,569	472,535
Exploration costs	85,881	74,930	247,705	225,867
Lease rentals	53,770	74,028	87,593	195,227
Loss on impairment of resale leases	334,160	-	492,653	-
Depreciation, depletion and amortization	2,541	2,869	7,898	8,604
	<u>753,446</u>	<u>425,881</u>	<u>1,648,008</u>	<u>1,255,053</u>
Loss from operations	<u>(438,676)</u>	<u>(149,782)</u>	<u>(821,203)</u>	<u>(429,588)</u>
Other income (expense):				
Loss on disposal of developing property	-	-	(15,419)	-
Interest income	4,257	5,500	15,708	23,828
Other	75	-	11,141	2,732
	<u>4,332</u>	<u>5,500</u>	<u>11,430</u>	<u>26,560</u>
Loss before benefit for income taxes	(434,344)	(144,282)	(809,773)	(403,028)
Benefit for income taxes	<u>(146,000)</u>	<u>(49,000)</u>	<u>(279,000)</u>	<u>(134,000)</u>
Net loss	<u>\$ (288,344)</u>	<u>(95,282)</u>	<u>(530,773)</u>	<u>(269,028)</u>
Net loss per common share:				
Basic	<u>\$ (0.04)</u>	<u>(0.01)</u>	<u>(0.07)</u>	<u>(0.04)</u>
Diluted	<u>\$ (0.04)</u>	<u>(0.01)</u>	<u>(0.07)</u>	<u>(0.04)</u>
Weighted average common shares:				
Basic	<u>7,704,000</u>	<u>7,673,000</u>	<u>7,683,000</u>	<u>7,673,000</u>
Diluted	<u>7,704,000</u>	<u>7,673,000</u>	<u>7,683,000</u>	<u>7,673,000</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS  
STATEMENTS OF CASH FLOWS  
Nine Months Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net loss	\$ (530,773)	(269,028)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss on disposal of property	15,419	-
Depreciation, depletion and amortization	7,898	8,604
Accretion expense	1,176	1,142
Employee benefit plan expense	36,401	61,623
Deferred income taxes	(279,000)	3,000
Interest income	(809)	(2,545)
(Increase) decrease in:		
Accounts receivable	38,346	256,478
Income taxes receivable	-	(13,163)
Resale leases	437,281	(33,671)
Increase (decrease) in:		
Accounts payable	(31,384)	18,838
Accrued expenses	9,971	15,015
Net cash provided by (used in) operating activities	<u>(295,474)</u>	<u>46,293</u>
Cash flows from investing activities:		
Proceeds from sale of investments, available for sale	-	200,000
Purchases of investments, available for sale	(439)	(1,000,000)
Acquisition of property and equipment	<u>-</u>	<u>(12,227)</u>
Net cash used in investing activities	<u>(439)</u>	<u>(812,227)</u>
Cash flows from financing activities:		
Payable - common stock repurchase	(5,825)	(2,250)
Purchase of treasury stock	(1,980)	(23,235)
Payment of dividends	<u>(6,400)</u>	<u>(1,600)</u>
Net cash used in financing activities	<u>(14,205)</u>	<u>(27,085)</u>
Net decrease in cash	(310,118)	(793,019)
Cash, beginning of period	<u>4,369,880</u>	<u>5,343,604</u>
Cash, end of period	<u>\$ 4,059,762</u>	<u>4,550,585</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS  
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION  
Nine Months Ended June 30, 2011 and 2010

During the nine months ended June 30, 2011, the Company:

- Recorded an increase in investments of \$100,918, an increase in unrealized holding gain of \$66,918, and a change in investment related to deferred income taxes of \$34,000.
- Sold 6,000 shares of treasury stock to the Company's ESOP at a cost of \$5,560 in exchange for a stock subscription receivable.
- Issued 30,630 shares of common stock to the Company's ESOP at a cost of \$25,423 in exchange for a stock subscription receivable.

During the nine months ended June 30, 2010, the Company:

- Recorded a decrease in investments of \$17,328, an increase in unrealized holding loss of \$11,328, and a change in investment related deferred income taxes of \$6,000.
- Sold 20,500 shares of treasury stock to the Company's ESOP at a cost of \$23,275 in exchange for a stock subscription receivable.

See independent accountants' compilation report.